Universidad Pública de Navarra
Nafarroako Unibertsitate Publikoa

Facultad de Ciencias Económicas y Empresariales

TRABAJO FIN DE GRADO

GRADO EN ECONOMÍA INTERNACIONAL

"Millennium Development Goals. An assessment of the success rates and cross-country donor contributions"

Miriam García Lasheras

DIRECTOR

Miguel Casares Polo

Pamplona-Iruña

12 de Junio de 2015

ABSTRACT

This research has been performed to assess the achievement of the Millennium Development Goals (MDG) and how much each donor is getting involved in Official Development Aid (ODA) contribution. My sources for data are the World Bank, FRED from St. Louis Fed and OECD databases. Using Excel statistical tools, I have got empirical ratios that show the level of MDG compliance. In addition, I estimate an econometric model to understand the determinants of ODA and obtain a measure of political will in each country.

This study finds that most of OECD countries haven't kept their aid promises. Their governments tend to prioritize other expenditures over ODA pledges.

The report shows which countries have already reached the traditionally accepted 0,7% target (ODA provided as percentage of GNI). I argue that most of them haven't done so due to the lack of political will towards aid contribution. The results of the estimate model also indicate that neither the economic situation nor the political party in power have to do with the commitment default.

Finally, I recommend an alternative design of ODA agenda along three guidelines. First, budget adjustments for the coming years in order to finance the aid gap. Second, ODA redefinition in order to avoid aid inflation. Third, require an ODA target in accordance with the economic situation of each country.

KEY WORDS

Millennium Development Goals (MDGs), Official Development Aid (ODA), 0.7% promise, political will.

INDEX

1. MILLENNIUM DEVELOPMENT GOALS

In 2000, with the beginning of the new millennium, the European Union gathered world leaders at the United Nations Millennium Summit with the aim of reducing global poverty and saving millions of lives. Leaders of 189 countries agreed on targeting eight goals to be achieved by 2015.

1.1 Millennium Development Goals: description and achievements

GOAL 1: Eradicate extreme poverty and hunger

Target 1.A: "Halve, between 1990 and 2015, the proportion of people whose income is less than $1.25 a day"

According to the World Bank data base, the amount of population living on less than $1.25 a day at 2005 international prices was already halved in 2010. There is no data for the world aggregate, but it can be approximated by evaluating the evolution of this variable either in developing countries by regions or in groups of countries according to their level of income.

Despite the reduction of this indicator and the target achievement, 48% of the Sub-Saharan population is still living in extreme poverty, and only 14% of population has gone out of extreme poverty from 1990 until 2010.

Table 1 Poverty headcount ratio by geographical regions

Poverty headcount ratio at $1.25 a day (PPP) (% of population)	1990	1999	2010	Change
East Asia & Pacific (developing only)	56,24	35,58	12,48	-77,81%
Europe & Central Asia (developing only)	1,91	3,79	0,66	-65,45%
Middle East & North Africa (developing only)	5,75	5,01	2,41	-58,09%
Sub-Saharan Africa (developing only)	56,53	57,89	48,48	-14,24%
Latin America & Caribbean (developing only)	12,24	11,86	5,53	-54,82%
Average change				-54,08%

As the income level analysis shows, the lower the level of income, the higher the amount of the population who live on less than $1.25 a day, and the lower the reduction of this amount. Therefore, low-income countries are diverging from high-income countries, what generates

greater gaps between living conditions in developed countries and those in developing countries.

Table 2 Poverty headcount ratio by regions according to their income level

Poverty headcount ratio at $1.25 a day (PPP) (% of population)	1990	1999	2010	Change
Low income	64,94	62,91	48,25	-25,70%
Lower middle income	46,94	40,16	27,12	-42,22%
Low & middle income	43,05	34,07	20,6	-52,15%
Middle income	43,25	32,38	17,96	-58,47%
Upper middle income	39,89	24,88	8,39	-78,97%
Average change				-51,50%

Target 1.B: "Achieve full and productive employment and decent work for all, including women and young people"

The amount of workers who lived below the $1.25-a-day poverty line have been considerably reduced, but there is still a lot of work to do until there is no worker underpaid.

The gender gap in employment persists since 1990. The difference in percentage points between men and women in terms of the employment to population ratio by gender stays almost the same, since the decrease among the last two decades has been very tiny. In the case of the population in the range of age between 15 and 24, this gap has even increased a little bit. The proportion of world youth population (between 15 and 24) with a job has considerably decreased for both men and women, but the latter has decreased in a bigger proportion.

Table 3 Gender gap in yung people employment rate

World data	1991	2000	2012
Employment to population ratio, 15+, female (%)	48,67	48,45	47,30
Employment to population ratio, 15+, male (%)	75,57	73,90	72,43
Difference in percentage points between men and women (15+)	26,89	25,45	25,14
Employment to population ratio, ages 15-24, female (%)	44,45	38,43	34,17
Employment to population ratio, ages 15-24, male (%)	58,94	54,00	48,97
Difference in percentage points between men and women (15-24)	14,49	15,57	14,81

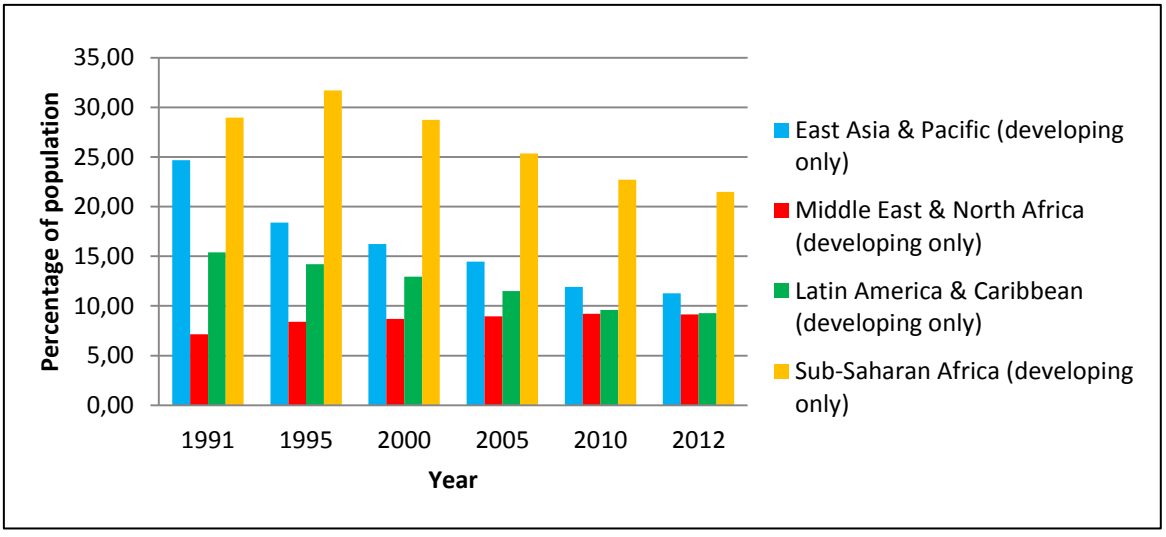
Target 1.C: "Halve, between 1990 and 2015, the proportion of people who suffer from hunger"

This target has not still been met by 2012, and a big effort is required to achieve it by 2015. Still, in 2012 a 39.79% less of the world population were undernourished compared to 1990. The percentage of undernourished people in the world by 1990 was 22.88% while in 2012 was 13.78%. There is a gap of 2.34% of the world population that must be helped to stop from suffering from hunger in the years left.

Actually, the only world developing region where the target was met by 2012 is "East Asia & Pacific". The smallest reduction of this indicator has taken place in "Sub-Saharan Africa". This happens because it is the region with the highest initial rate of people suffering from hunger and therefore it required higher efforts to improve the situation. Still, it's there where probably the biggest amount of people went out of hunger.

It is remarkable that in "Middle East & North Africa" there were more people suffering from undernourishment in 2012 than in 1990. It is justified by the many wars and conflicts that have taken place in Middle East along these two decades: the continuous conflict between Israel and Palestine, the Afghanistan war (since 2001), the Lebanon war (2006), the Iraq war (2003-2011) and so on.

Figure 1 Undernourished people by developing regions

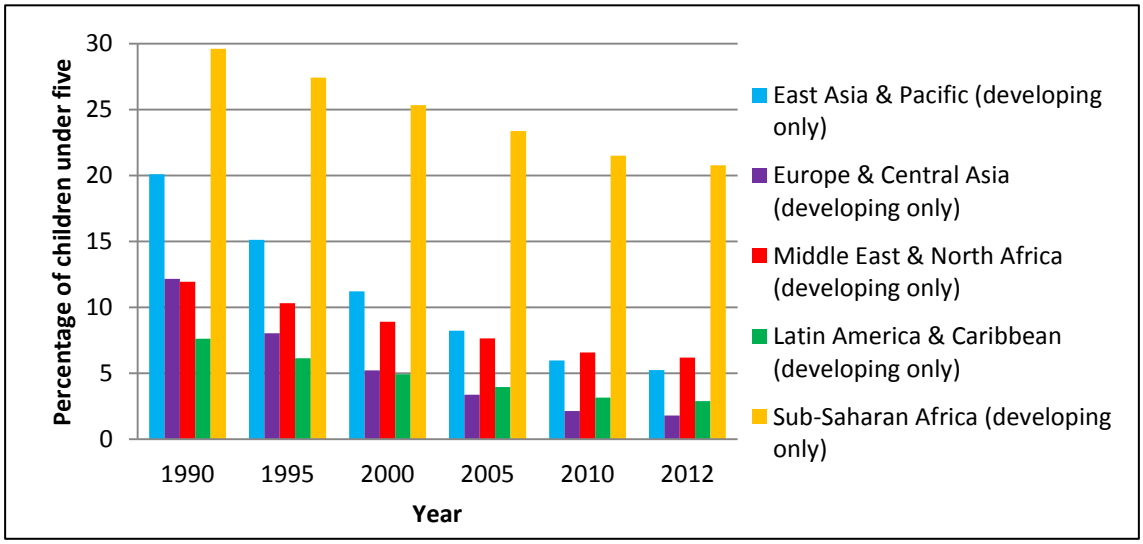


Results are very similar when analysing the proportion of children under five that are malnourished. In 2012, a 39.32% less of the children aged five or less were suffering malnutrition in the world in comparison with 1990 data. However, there is an existing gap of 2.66% of children under five who were still suffering malnutrition by 2012 and should be wiped away by 2015.

In the developing countries of the regions "Europe & Central Asia", "East Asia & Pacific" and "Latin America & Caribbean" the target of halving the proportion of malnourished children

Figure 2 Malnourished children under five by developing regions

under five had already been met by 2000, 2005 and 2010 respectively. In developing countries of the "Middle East & North Africa" region the target is about to be met and in the countries of the "Sub-Saharan Africa" region efforts must be increased since the evolution of this indicator is the slowest one.



GOAL 2: Achieve universal primary education

Target 2.A: "Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling"

More kids than ever were completing its last year of primary school in the world by 2012. The biggest improvements in the primary completion rate occurred from 2000 on, being this one the date in which the Millennium Development Goals were targeted. The same happened with

the primary school enrolment rate, which also increased in a higher proportion from 2000 on, as can be seen in table 4.

Table 4 Primary schooling completion rate

World	1990	1995	2000	2005	2012	Evolution
Primary completion rate, total (% of relevant age group)	81,02	80,97	81,51	86,73	92,06	13,62%
School enrollment, primary (% net)	81,94	81,11	83,60	86,71	89,08	8,71%

As table 5 shows, the literacy rate has increased for both men and women between 15 and 24, although in a higher proportion in the case of women. Thanks to this fact the gender gap in terms of literacy has been reduced by almost one half.

Table 5 Gender gap in literacy rate

World	1990	2000	2010	Evolution
Literacy rate, youth male (% of males ages 15-24)	87,74	90,53	92,09	4,96%
Literacy rate, youth female (% of females ages 15-24)	78,57	84,04	86,93	10,63%
Gender gap	9,17	6,48	5,16	-43,69%

GOAL 3: Promote gender equality and empower women

Target 3.A: "Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015"

In 1990, for each 100 boys enrolled in primary and secondary education, only 86.37 girls were enrolled. This gender disparity has been considerably reduced in the last two decades. In 2012, for each 100 boys enrolled in primary and secondary education, 97.07 girls were enrolled. Hence, there is a little gap and gender disparity has not been fully eliminated.

GOAL 4: Reduce child mortality

Target 4.A: "Reduce by two thirds, between 1990 and 2015, the under-five mortality rate"

The under-five mortality rate has been reduced by almost one halve and there is still a gap of a 20% with respect to 1990 levels until the target is reached.

Table 6 Evolution of under-five mortality rate

World	1990	2000	2012	Evolution	Target	Gap
Mortality rate, under-5	8,98%	7,54%	4,78%	-46,77%	-66,67%	-19,90%

GOAL 5: Improve maternal health

Target 5.A: "Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio"

Up to 2013 the maternal mortality ratio had dropped by 45% relative to the 1990-level. Despite this progress, accelerated interventions are required to achieve the target in 2015.

One example of successful policy action is the one of South Asia, the region where the maternal mortality ratio has dropped by 65%. In addition, the number of births attended by skilled health staff has increased moderately worldwide.

Target 5.B: "Achieve, by 2015, universal access to reproductive health"

The adolescent fertility rate, which represents the number of births per 1,000 women aged between 15 and 19, has decreased by 30% from 1990 until 2012.

Contraceptive prevalence rate has slightly increased globally by 9%. However, this ratio has increased in least developed countries by 82%, since the contraceptive use in 1990 was unusually low there.

The number of pregnant women receiving prenatal care by skilled health personnel in 2009 is 20% higher than in 2000.

Although indicators show improvements in this area, ODA for reproductive health remains low.

GOAL 6: Combat hiv/aids, malaria and other diseases

Target 6.A: "Have halted by 2015 and begun to reverse the spread of HIV/AIDS"

AIDS was hugely spread from 1990 to 2005; the amount of the world population who died because of AIDS was six times higher in 2005 than in 1990. The spread of AIDS was halted since 2006, when it began to reverse.

As a dramatic consequence, the number of children orphaned because of parenthood loss due to AIDS before the age of 15 was eleven times higher in 2005 than in 1990 (when the epidemic began).

Target 6.B: "Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it"

This target has not yet been achieved although improvements have been made. Still, a lot of people living with HIV are not receiving antiretroviral therapy.

Target 6.C: "Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases"

In the 80% of countries whose inhabitants suffered from malaria in 1998, the number of reported cases of malaria has been reduced considerably. In many countries the disease has even vanished. However, in the 20% of countries where malaria was present in 1998, the number of reported cases of malaria has increased. The worst case is the one of Mali, where the number of reported cases has multiplied by 71. Then, although great efforts have been made to halt the effects of malaria (e.g. extensive use of insecticide-treated bed nets), more emphasis is required in specific countries such as Mali.

Tuberculosis treatment as well as tuberculosis detection rate have evolved positively during the last decades and therefore the tuberculosis death rate has dropped by 48%.

GOAL 7: Ensure environmental sustainability

Target 7.A: "Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources"

Forest area has dropped by 3% worldwide. CO2 emissions are 51% higher now than in 1990, due to the increase in global GDP, since CO2 emissions measured in terms of kg per PPP $ of

GDP have decreased by 51%. Still, CO2 emissions per capita have risen by 16% during the last decades.

Target 7.B: "Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss"

In 2009, protected marine areas represented almost 10% of total surface area, whereas in 1991 they were not even 5% of total surface area, what implies that the marine protected areas have doubled since then.

Terrestrial protected areas were 14% of total surface area in 2012. It implies 70% more than in 1990, when only 8% of total surface area was terrestrial protected area.

Target 7.C: "Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation"

In 2012, a 16% more of population had access to improved sanitation facilities than in 1990, and a 13% more of population gained access to improved water source. However, the target is not fulfilled since the percentage of the population without access to safe drinking water and basic sanitation has not been halved.

Target 7.D: "Achieve, by 2020, a significant improvement in the lives of at least 100 million slum dwellers"

In 2009, a 30% less of urban population was living in slums compared to the levels of 1990.

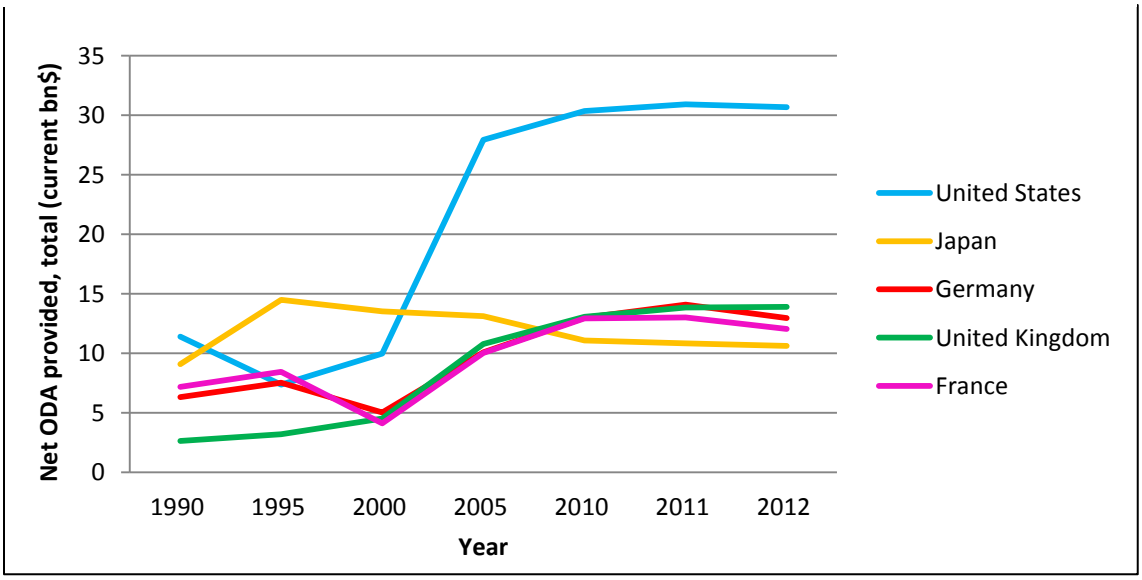
GOAL 8: Develop a global partnership for development

Target 8.A: "Develop further an open, rule-based, predictable, non-discriminatory trading and financial system"

The Official Development Assistance provided in 2012 amounted for more than $125 billion. The main donor was the USA, followed by United Kingdom, Germany, France and Japan. This was the top five of mayor donors in 2012 by countries. However, if we considered the European Union as a consolidated power it has been with a substantial difference the mayor

donor during the last decades. In the graph number 3 is shown the ranking of mayor donors as well as its evolution since 1990. The other five countries that complete the top ten mayor donors in 2012 are Canada, Netherlands, Australia, Sweden and Norway respectively.

Figure 3 Total net ODA provided by the top five mayor donors in 2012 during the last two decades in current US$ billion



Target 8.B: "Address the special needs of least developed countries"

In 2012, 99% of goods (excluding arms) imported from least developed countries were admitted trades free of tariffs in the developed world.

Average tariffs imposed by developed countries on textile products imported from least developed countries have dropped from 6% in 1996 to 3% in 2012. Those imposed on clothing products imported from least developed countries have been reduced from 11% in 1996 to 6% in 2012, and those imposed on agricultural products have changed from 13% in 1996 to 9% in 2012.

Target 8.C: "Address the special needs of landlocked developing countries and Small Island developing States"

There is no information available about any indicator related with this goal.

Target 8.D: "Deal comprehensively with the debt problems of developing countries"

In 2012, low-income countries repay 80% less of their debts than what they did in 1990.

Target 8.E: "In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries"

There is no information available about any indicator related with this goal.

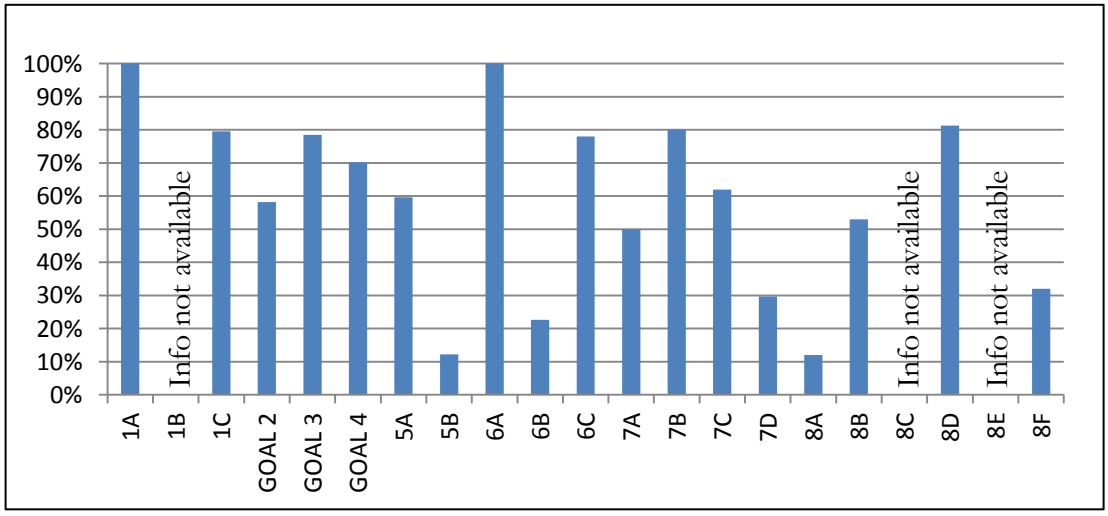
Target 8.F: "In cooperation with the private sector, make available benefits of new technologies, especially information and communications"

In 2013, 7 people from each 100 people in least developed countries were Internet users and 55 people out of each 100 people were mobile cellular subscribers, whereas in 1990 nobody had access neither to the Internet nor to cellular lines in least developed countries.

1.2 Millennium Development Goals: level of compliance

Paying attention to the objectives included in each goal one by one, I have realized that only objectives 1A and 6A were fully accomplished by 2012. There were at least five objectives that had not been accomplished even by a 50% until 2012, being quite unlikely their fulfillment during the three years left until the established deadline.

Figure 4 MDGs' compliance rate by targets



Access to reproductive health was still far from being universal by 2012 (G5B). In 2010, universal access to treatment for HIV/AIDS was not achieved (G6B). On the contrary, goals

in terms of poverty, hunger and illnesses are the ones achieved in a higher rate (Goals 1A, 1C, 6A, 6C).

Table 7 MDGs' compliance rate by goals

GOAL	SUCCESS RATE
GOAL 1	89,79%
GOAL 2	58,15%
GOAL 3	78,52%
GOAL 4	70,16%
GOAL 5	35,95%
GOAL 6	66,87%
GOAL 7	55,41%
GOAL 8	44,58%
Average	62,43%

On average, 60% of the ambitious global objective implied in the Millennium Development Goals was achieved by 2012. Although it represents a great effort, most probably the challenge won't be accomplished by 2015 as it was promised in 2000. Those goals related to poverty, health and gender equality are the ones whose degree of compliance was above the average in 2012.

2. EFFECTIVE INVOLVEMENT OF THE MAIN DONNORS

2.1 Global vision of the evolution of the representative indicators along the last couple of decades

The countries that belong to the European Union provided more than half of global aid in 2013 and therefore, it is the current principal world donor of development aid. The second position largest ODA donor is the US, and the one taking up the third position is Japan. Canada and Australia are in the fourth and fifth place, respectively.

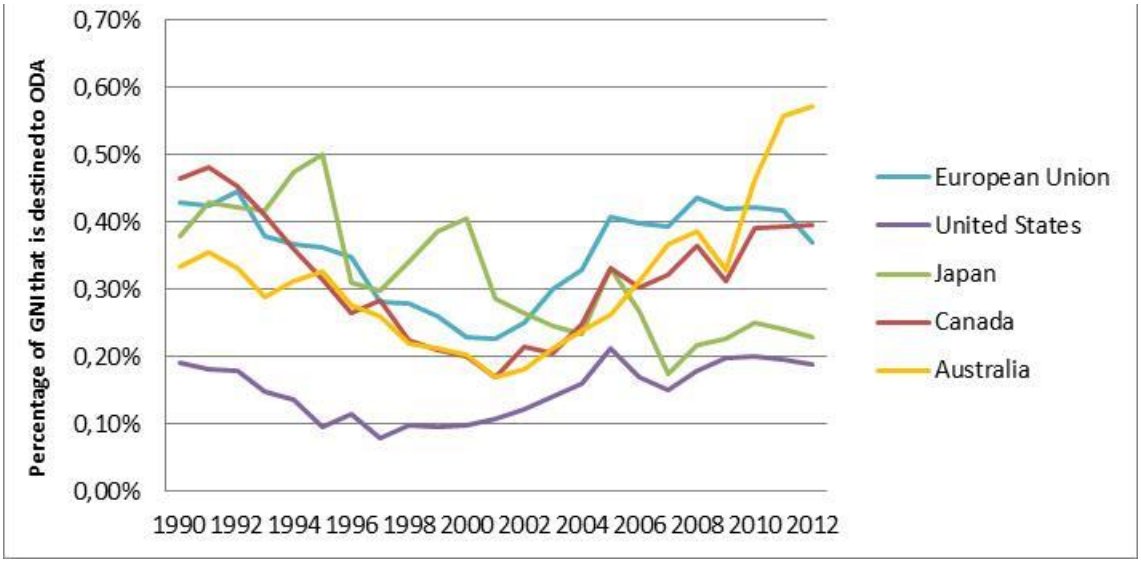
As there are not available data for the European Union as a whole in the World Bank database about the levels of ODA provided, and I would like to develop this study by using the same source of information with the aim of achieving a coherent conclusion, I have considered the countries of the European Union from which I have found available data: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Slovak Republic, Spain, Sweden and United Kingdom. They are only 19 of the 28 European Union member states, but I will add them up in order to find values for a representative cluster of the European Union as a unified ODA donor since its member states work together in this field.

However, when analyzing ODA provided per each US$ of the country's Gross National Income, the ranking of contributors turns upside down. GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of

output plus net receipts of primary income (compensation of employees and property income) from abroad. In this case, it is Australia the country that provides a higher quantity of ODA per each dollar of its GNI, which is exactly the last country of the top five in terms of net ODA provided (in volume). With the exception of the European Union, the ranking is exactly turned upside down; that is, the higher the level of a country's GNI the lower the proportion of GNI provided as ODA.

For that reason it can be said that Europe is doing a great job since it has been the first or second power during the last decade when it comes to ODA provided per each dollar of its value added. However, it has committed to raise its ODA contribution up to 0.7% of its Gross National Income for 2015, which is in fact a too ambitious purpose. It is quite unlikely that this goal is achieved since in 2012 the European Union provided an ODA contribution of 0.41% of its GNI. There was a 0.29% left in order to accomplish the promise that had to be achieved in no more than a couple of years.

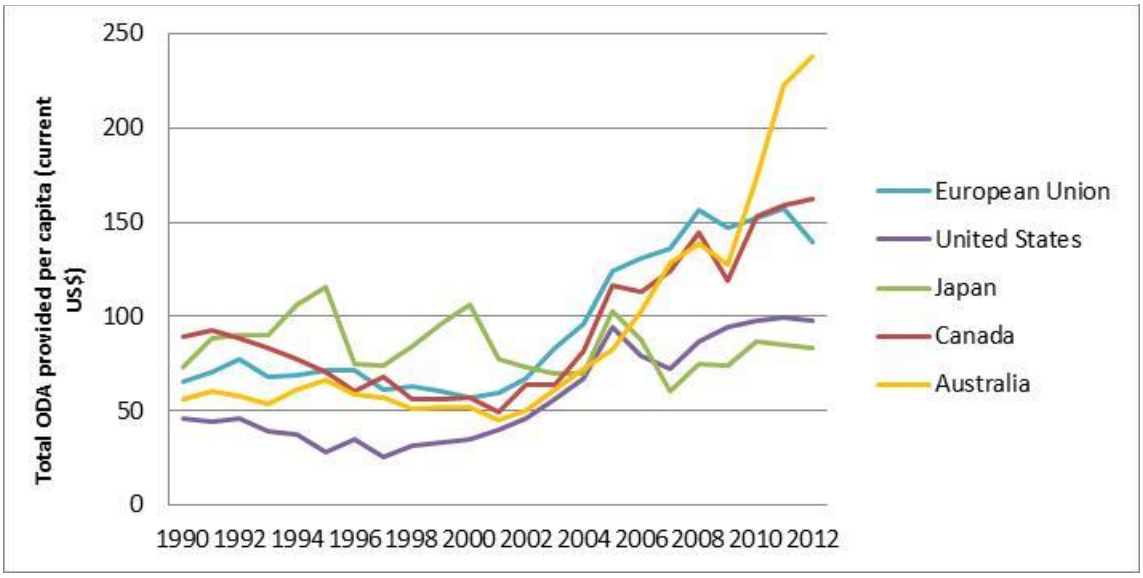
Figure 5 Total ODA provided per each US$ of GNI by mayor donors during the last two decades expressed in %



In terms of ODA provided per capita, the main donor in 2012 was Australia as well. This country provided approximately 238$ as ODA per each one of its inhabitants in 2012, while 163$ of the money provided by each Canadian for public funds in 2012 were destined to

ODA. Each European provided 152$ in 2012 as ODA, 98$ were given by each citizen of the United States and 83$ by each Japanese in 2012 as ODA.

Figure 6 Total ODA provided per capita by mayor donors during the last two decades expressed in current US$



2.2 Analysis of the European Union contribution by Member States

EU's contribution to fighting poverty and inequality is extremely important for developing countries and poor communities across the world since it represents 53% of the global aid flows. Over the last decade, development aid managed by the European Commission has given more than 31 million people access to safe drinking water for the first time, has stopped 24 million from going hungry, has given more than 9 million children access to primary education, has equipped 2.1 million rural people with modern energy services, has helped protect more than 1.5 million hectares of forest, has vaccinated more than 5 million children against measles and has provided anti-retroviral combination therapy for 750,000 people.

In 2013, the EU spent €56.5 billion to help achieve the MDGs, but this is not enough in order to achieve the promise they have made. The European Union together with its member states promised that in 2015 their ODA countribution would be 0, 7% of GNI, but this is a very ambitious target compared to what has been given in the past.

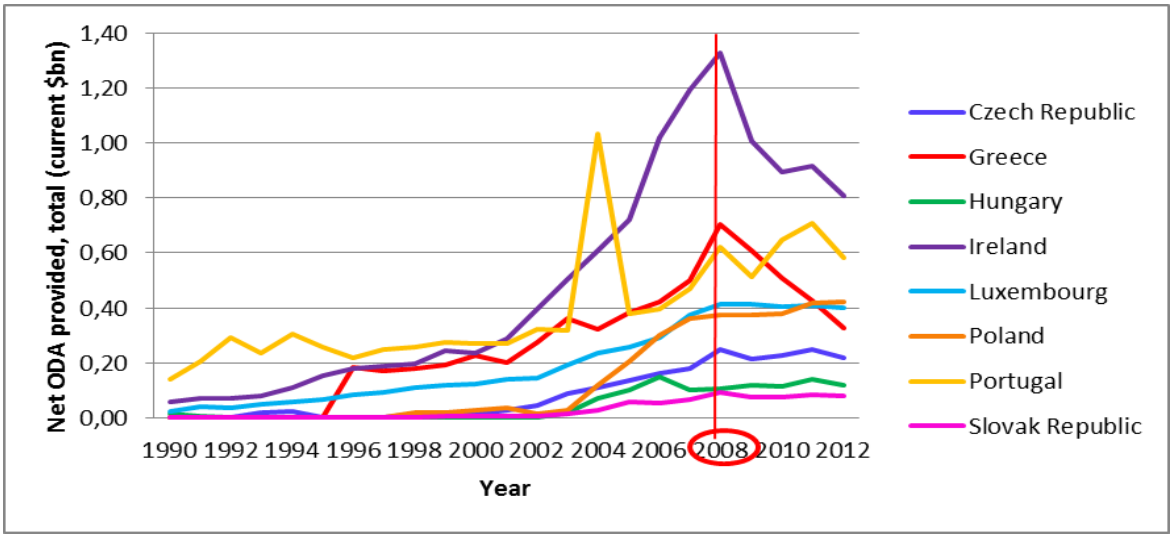
As the MDG target is expiring soon, at the end of 2015, and the EU is the main ODA donor, it would be interesting to analyze how are doing the European member states in terms of ODA contributions.

With the aim of simplifying the analysis I have divided the European Union member states into three groups depending on the volume of ODA that they provided in 2012. In the first group are included those member states that in 2012 provided less than $bn1[1] as ODA.

After the year 2000, when the Millennium Development Goals were established in the United Nations Millennium Summit, the ODA contribution of the member states started to increase at a much more considerable rate than the one before the year 2000. However, this increase in the volume of ODA provided stopped or even turned into decrease in these countries from 2008 on. There are three well defined phases in terms of ODA contribution: 1990-2000 (before UN Millennium Summit), 2000-2008 (boom after UN Millennium Summit) and 2008-2012 (economic crisis and consequent decrease of ODA contributions).

With the purpose of examining the ODA individual contributions of the European Union Member States I classify them into three groups according to the volume of ODA they provided in 2012: less than $bn1, more than $bn1 but less than $bn6, and more than $bn1 but less than $bn15.

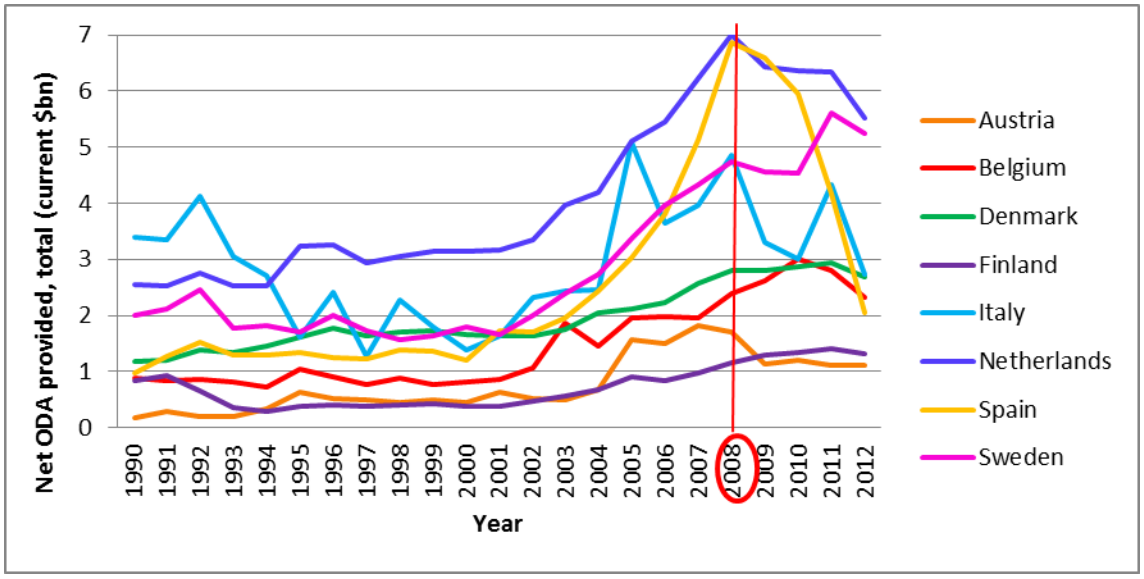
Figure 7A Total net ODA provided by EU member states (<$bn1 in 2012) during the last two decades expressed in current US$ billion



[1] one billion of US dollars according to short scale. Monetary units will be expressed in American billions in this paper ($bn1 = $1.000.000.000).

Let's start by analyzing the ODA contributions made by the countries that provided less than one billion of US dollars in 2012 (figure 7A). The most remarkable case is the one of Ireland and Greece, where the economic crisis that started in the year 2008 caused a huge decrease of the levels of ODA that they provided. In fact, the volume of ODA provided by both countries has not experienced any recovery during the Great Recession and has been reduced by approximately 40% in the case of England and by approximately 50% in the case of Greece. Another remarkable event is the sudden and sharp increase in Portugal's ODA contribution in 2003 (it almost tripled) as well as its sudden and sharp decrease in 2004 (until 2003 levels). However, Portugal and the rest of countries of this group were able to keep its ODA contribution constant during the crisis years.

Figure 7B Total net ODA provided by EU member states (<$bn6 in 2012) during the last two decades expressed in current US$ billion

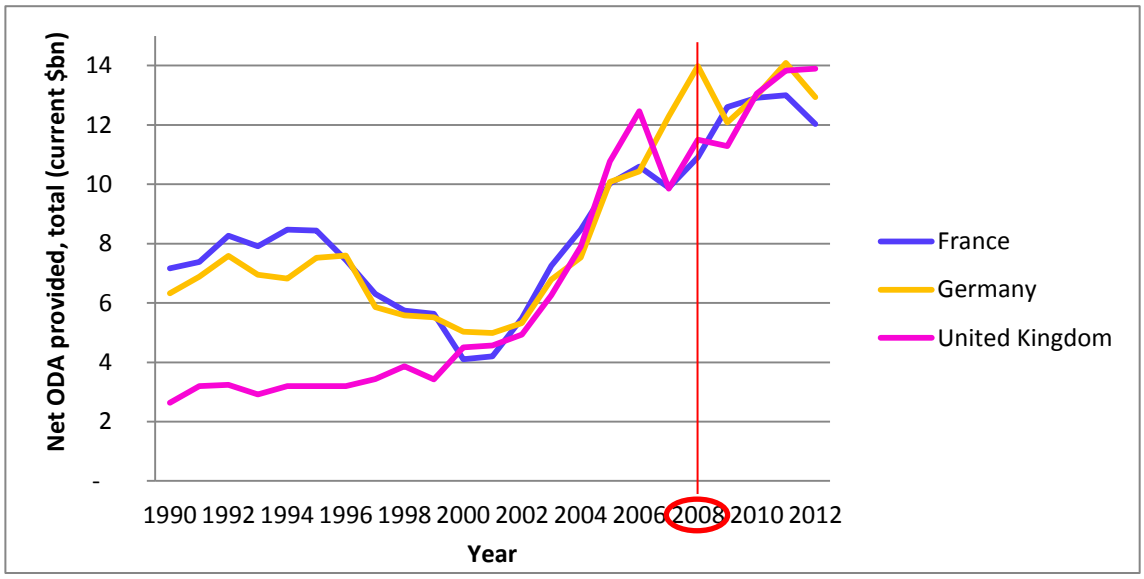


As can be seen in figure 7B, the radical change that took place in 2008 in the group of countries that provided more than one billion but less than six billions of US dollars was the one of Spain. Spain was in 2008 at the same level of ODA contribution than the Netherlands, which ends up being one of the countries that has fulfilled the 0.7% promise. If Spain had maintained its ODA provided 2008 levels during the crisis years it would be in the top 4 of EU member states donors. However, Spanish ODA contribution took just the opposite direction and was reduced by 70%, being its contribution in 2012 only two billions US dollars. Italian ODA contribution has also decreased by 40% during the recession. ODA contributions of

Netherlands and Austria have decreased slightly while the rest of the countries have roughly kept or even increased (Sweden) their ODA contribution.

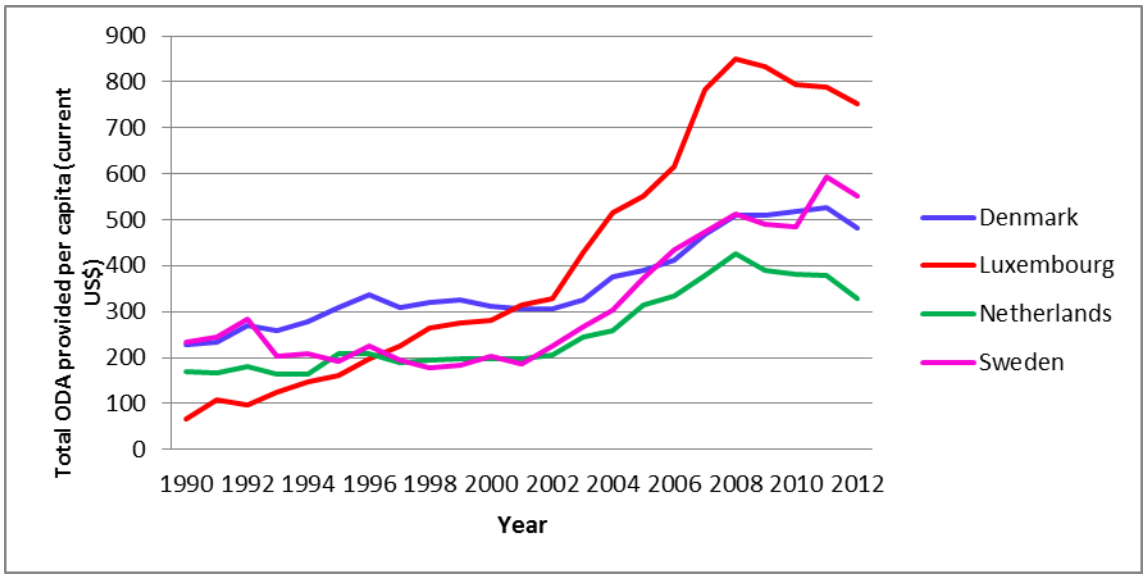
As figure 7C shows, the top three of the EU member states in terms of ODA net contribution are France, Germany and United Kingdom. Their donations have evolved similarly from 2000 until 2012. Still, in 2012 the main European net donor was the UK with an ODA contribution level of fourteen billion US dollars. The economic recession restrained this increasing trend and the amounts of aid slightly changed from previous levels, expect in the case of the UK.

Figure 7C Total net ODA provided by EU member states (<$bn15in 2012) during the last two decades expressed in current US$ billion



Although the UK is an EU member state that usually provides one of the highest net volume of ODA to developing countries, it is not at all in ODA per capita terms (figure 8). It is very important to consider the fact that a higher population brings higher aggregate GDP and GNI levels of the country and a higher net ODA contribution as well. Therefore, small countries like Luxembourg or with low population like Sweden and Norway are among the main donors of ODA per capita. These are the countries that will fulfill the 0.7% promise.

Figure 8 Total ODA provided per capita by EU member states (>300$ in 2012) during the last two decades expressed in current US$



2.3 Which EU countries had kept the 0.7% promise up to 2013?

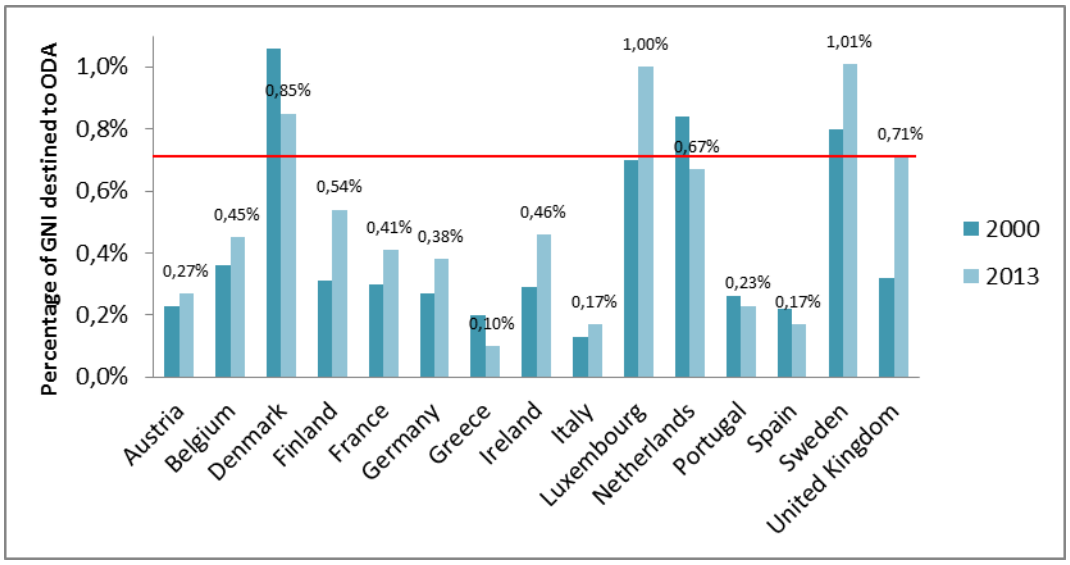
At the tie of writing this paper, the Worldbank database provides data until 2013 (as it happens in the rest of databases that I have checked). Therefore I will take 2013 data as reference.

The 0.7% ODA/GNI target was first agreed in 1970, and has been repeatedly re-endorsed at the highest level at international aid and development conferences. On the one hand, in 2005, the 15 countries that were members of the European Union by 2004 agreed to reach the target by 2015. On the other hand, the 0.7% target served as a reference for 2005 political commitments to increase ODA from the EU, the G8 Gleneagles Summit and the UN World Summit.

As can be seen in figure 9, by 2013 only four European Union member states (from those being member states of the EU15 in 2004) would have reached the 0.7% target. The four EU member states that were doing well in the field of ODA contribution by the end of 2013 are Denmark (0.85%), Luxembourg (1%), Sweden (1.01%) and UK (0.71%). They would have kept their promise if they had maintained 2013 ODA contribution levels until 2015.

Although the rich countries of the world had agreed to deliver 0.7% of GNI as development aid several years before, it was in 2005 when the EU and its members states agreed on a deadline of 2015 to reach this target. This is why I don't mention Norway, the fifth European country that had kept the 0.7% promise by 2013 (1.07% by 2013).

Figure 9 Net ODA provided as percentage of GNI by EU15 member states in 2000 and 2013



After an increasing trend from 2000 until 2009, during which the EU collective ODA had gradually risen, even the main donors have recently decreased their assistance. A representative example is the one of the Netherlands (0.67%), which stayed below the 0.7% target in 2013 for the first time since 1975. Other EU countries that provided more ODA as percentage of GNI in 2000 (when the MDGs were definite) than in 2013 (when the promise deadline was close) were Denmark, Greece, Portugal and Spain. In the last three countries it is a real problem since they were far from reaching the target even in 2000 and the gap is bigger now. On the contrary, UK incresed sharply its contribution from 2009 until 2013.

In global terms, as of 2013 the EU had only provided 0.43% of its Gross National Income to aid, remaining a gap of 0.27% to achieve the collective target in 2015. I will analyze the aid gap and the degree of promise fulfillment later in this paper (section 4).

3. ESTIMATION OF A STANDARD MODEL TO PREDICT ODA PROVIDED BY OECD MEMBERS

3.1 Model context

I have searched for independent variables that could explain the dependent variable "ODA provided as percentage of GNI" in a multiple regression model, that could be expressed in percentage points (to ensure a small residual) and that were not excessively correlated between them (to avoid the multicollinearity problem that would reduce the model reliability). Finally, I have selected four independent variables that correspond to four indicators of the economic situation of every country. In this way, it will be shown how rich countries decide their ODA contribution levels given the values their economic indicators take during each period of choice. After researching in different databases in order to find available data for sixteen sample countries, the last thirteen years and the four requested series, I have extracted the values of the dependent variable ("ODA provided as percent of GNI") and one independent variable ("unemployment as percent of total labor force") from the World Bank database (used to develop the first part of this paper) and the values of the other three independent variables ("real GDP growth", "total current account balance as percent of GDP" and "cash surplus/deficit as percent of GDP") from the Federal Reserve Bank of St. Louis (FRED) database. The source of both databases is the Organization for Economic Co-operation and Development (OECD), making the combination of data completely reliable.

The sample period is 2001-2012. I decided to start in 2001 because as it has been shown in previous research, the ODA contributions started to increase from 2000 onwards, right after the MDGs were defined. I have considered as observations the averages of the three-year periods: 2001-2004, 2005-2008 and 2009-2012. Therefore sub index "t" can take these three values.

I have selected a sample of sixteen OECD[2] countries to develop this study: Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Korea, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States of America. All of them are DAC[3] members.

[2] The Organization for Economic Co-operation and Development (OECD) promotes policies that will improve the economic and social well-being of people around the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems.

3 The (Development Assistance Committee) DAC has the mandate to: promote development co-operation and other policies so as to contribute to sustainable development, including pro-poor economic growth, poverty reduction, improvement of living standards in developing countries, and a future in which no country will depend on aid. With the revised System of National Accounts in 1993, gross national product was replaced by gross national income (GNI), an equivalent concept. DAC members' performance against the 0.7% target is therefore now shown in terms of ODA/GNI ratios since 1993.

Attending to the four independent variables, "real GDP growth" is the economic growth indicator, "unemployment as percent of total labor force" is the unemployment indicator, "total current account balance as percent of GDP" is the trade balance and therefore commercial stability indicator and "cash surplus/deficit as percent of GDP" is the public finance balance indicator.

3.2 OLS estimation of a multiple regression model

3.2.1 Model description

My purpose is to estimate a multiple regression model by the Ordinary Least Squares (OLS) method.

The linear relation to evaluate is: $y_t = \beta_0 + \beta_1 g_t + \beta_2 nx_t + \beta_3 u_t + \beta_4 f_t + \varepsilon_t$

Where,

$\mathbf{y_t}$ is the "Average ODA provided as percentage of GNI in the three-year period t". It has been computed as the ratio of "Net ODA provided, total (current US$)" to "GNI (current US$)".

Net Official development assistance (ODA) comprises grants or loans to developing countries and territories on the OECD/DAC list of aid recipients that are undertaken by the official sector with promotion of economic development and welfare as the main objective and at concessional financial terms.

GNI (formerly GNP) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates. For a few countries where the official exchange rate does not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor is used. Because development encompasses many factors - economic, environmental, cultural, educational, and institutional - no single measure gives a complete picture. However, the total

earnings of the residents of an economy, measured by its gross national income (GNI), is a good measure of its capacity to provide for the well-being of its people.

$\mathbf{g_t}$ is the "Average growth rate of the Gross Domestic Product by expenditure in constant prices during the three-year period t".

Gross domestic product (GDP) is a measure of the economic activity, defined as the value of all goods and services produced less the value of any goods or services used in their creation. The calculation of the annual growth rate of GDP volume is intended to allow comparisons of the dynamics of economic development both over time and between economies of different sizes. For measuring the growth rate of GDP in terms of volumes, the GDP at current prices are valued in the prices of the previous year and the thus computed volume changes are imposed on the level of a reference year; this is called a chain-linked series. Accordingly, price movements will not inflate nor deflate the growth rate.

$\mathbf{nx_t}$ is the "Average current account balance as a pertecentage of GDP during the three-year period t"

The current account balance of payments is a record of a country's international transactions with the rest of the world. The current account includes all the transactions (other than those in financial items) that involve economic values and occur between resident and non-resident entities. Also covered are offsets to current economic values provided or acquired without a quid pro quo. This indicator is measured in million USD and percentage of GDP.

$\mathbf{u_t}$ is the "Average unemployment rate as percentage of total labor force during the three-year period t"

Unemployment refers to the share of the labor force that is without work but available for and seeking employment.

$\mathbf{f_t}$ is the "Average cash surplus/deficit as a percentage of GDP during the three-year period t"

Cash surplus or deficit is the total public revenue (including grants) minus total public expense, minus net acquisition of nonfinancial assets. This cash surplus or deficit is close to the overall

government budget balance (still missing is lending minus repayments, which are now a financing item under net acquisition of financial assets).

$\boldsymbol{\varepsilon_t}$ is the error term of the OLS estimation that follows a normal distribution.

3.2.2 Analysis of results: overall regression accuracy

As the coefficient of determination (R^2) shows, 52.55% of the variance experienced by the dependent variable (Average ODA provided as percentage of GNI in the three-year period t) is explained by the variance of the independent variables. Therefore, changes in a country's economical situation explain only half of the changes in the level of ODA provided by that country.

Table 8 Overall regression accuracy

Estadísticas de la regresión	
Coeficiente de correlación múltiple	0,72490726
Coeficiente de determinación R^2	52,55%
R^2 ajustado	0,48135012
Error típico	0,001835706
Observaciones	48

3.2.3 Analysis of results: probability that the regression output is not random (ANOVA)

The probability that the regression output does not explain variations in $\mathbf{y_t}$, i.e. that any fit is purely by chance is 0,00013%. This probability is very low and therefore the estimated correlation is meaningful.

Table 9 Overall regression significance

ANALYSIS OF VARIANCE (ANOVA)					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	4	0,000160	0,000040	11,9049749	0,00013%
Residual	43	0,000145	0,000003		
Total	47	0,000305			

3.2.4 Analysis of results: reliability of the Y-intercept and Coefficients of the regression

The predicted value of ODA provided would be: $\hat{y}_t = \hat{\beta}_0 + \hat{\beta}_1 g_t + \hat{\beta}_2 nx_t + \hat{\beta}_3 u_t + \hat{\beta}_4 d_t$

In order to find the OLS estimators ($\hat{\beta}_0, \hat{\beta}_1, \hat{\beta}_2, \hat{\beta}_3 \; and \; \hat{\beta}_4$) of the parameters ($\beta_0, \beta_1, \beta_2, \beta_3 \; and \; \beta_4$) I use the "Regression" Excel tool that applies the "LINEST" Excel function and obtain the following estimated model as a result.

$$\hat{y}_t = 0{,}0048 - 0{,}0754 g_t + 0{,}0077 nx_t + 0{,}0027 u_t + 0{,}0283 f_t$$

Table 10 OLS estimates and its reliability

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	0,0048	0,0010	4,8985	0,00%	0,0028	0,0068
Real GDP growth (%)	-0,0754	0,0237	-3,1768	0,28%	-0,1233	-0,0275
CA Balance (% GDP)	0,0077	0,0069	1,1279	26,56%	-0,0061	0,0216
Unemployment, total (% of total labor	0,0027	0,0111	0,2422	80,98%	-0,0196	0,0250
Cash surplus/deficit (% GDP)	0,0283	0,0078	3,6395	0,07%	0,0126	0,0439

Most or all P-values should be below 5%, however still two out of five are above 5%, being unemployment p-value highly above 5%. Let's analyze OLS estimates (coefficients) individually:

$$\hat{\beta}_0 = 0{,}0048$$

In case all the independent variables took zero value, the level of ODA provided as percentage of GNI would be this one. However, this hypothetical situation is very unlikely since unemployment rate will never take the zero value for structural reasons.

The intercept coefficient is completely reliable, presents a 0% as p-value and therefore it is 100% significant.

$$\hat{\beta}_1 = -0{,}0754$$

In general terms, the higher the volume of GDP a country generates, the higher the level of ODA as percentage of GNI this country provides (a great economic situation encourages a country to commit more with developing countries and to follow a politically correct behavior). It also happens that when a country's volume of GDP reaches high levels, it becomes really difficult for this variable to continue growing and GDP growth starts being

negative. That is, the higher the volume of GDP the lower the GDP growth ratio and vice versa.

This coefficient is reliable at a very high rate since there is a probability of 0.28% that the coefficient of this variable has been obtained by chance.

$\hat{\beta}_2 = 0{,}0077$

Logically, as long as the current account balance is positive the ODA contribution will increase. What is the same, if the economic transactions with the rest of the world give a positive result for the home country, the latter will be willing to provide higher volumes of ODA. Therefore, when referring to both variables as ratios to GDP and GNI respectively, the effect will be almost the same.

However, this coefficient is not as reliable as it should since there is a probability of 26.56% that there is no significant relationship between nx_t and $\mathrm{y_t}$. Still, there is 73.44% of evidence to reject the null hypothesis (H_0: $\beta_2 = 0$) and keep this variable as significant since its sign follows the logic and doesn't disturb the results.

$\hat{\beta}_3 = 0{,}0027$

The expected estimated coefficient for this independent variable would have been negative and clearly different from zero. However, it is positive and relatively close to zero. This contra-intuitive result is a consequence of the lack of reliability of this coefficient. There is a probability of 80.98% that there is no significant relationship between u_t and $\mathrm{y_t}$. There is evidence to accept the null hypothesis this time (H_0: $\beta_3 = 0$).

This effect is justified by the business cycle that happens in every economy and follows the pattern of expansion, peak, contraction and trough. In general terms, the business cycle is measured and tracked in terms of GDP and unemployment: GDP rises and unemployment shrinks during expansion phases, while the opposite happens in periods of recession. As a consequence, the independent variable GDP growth already demonstrates de business cycle effect in the model and the presence of unemployment diminishes the regression reliability. Therefore, I will delete $\mathrm{u_t}$ and re-estimate the model without it.

$\hat{\beta}_4 = 0{,}0283$

In case the country's budget presents a cash surplus, the country's ODA contribution will increase. A cash surplus implies that the government's finances have been run efficiently and that there is an excess budget after paying all the expenses the government has made. This excess budget can be used to increase the country's ODA contribution. On the contrary, if a government's budget presents a deficit, it must be financed by borrowing money. If there is lack of funds to cover public expenses, ODA contribution decreases.

This coefficient is reliable at a very high rate since there is a probability of 0.07% that there is no significant relationship between f_t and $\mathrm{y_t}$. There is enough evidence to reject the null hypothesis (H_0: $\beta_4 = 0$).

3.3 OLS re-estimation of a multiple regression model

3.3.1. Analysis of results: overall regression accuracy

As the coefficient of determination (R^2) shows, 52.48% of the variance experienced by the dependent variable (Average ODA provided as percentage of GNI in the three-year period t) is explained by the variance of the remaining three independent variables (g_t, nx_t, f_t). Therefore, changes in a country's economical situation explain only a little bit more than half of the changes in the level of ODA provided by that country. The reliability loss from dropping u_t is very tiny (0.07%), avidencing the irrelevance of this variable in the model.

Table 11 Overall regression accuracy

Estadísticas de la regresión	
Coeficiente de correlación múltiple	0,724460803
Coeficiente de determinación R^2	52,48%
R^2 ajustado	0,492446417
Error típico	0,001815963
Observaciones	48

3.3.2. Analysis of results: probability that the regression output is not random (ANOVA)

The probability that the regression output does not explain variations in $\mathbf{y_t}$, i.e. that any fit is purely by chance, is 0,00003%. This probability is very low and therefore the estimated correlation is meaningful. As expected, this re-estimated model is more significant than the initial one (lower probability of default: 0,00003%< 0,00013%).

Table 12 Overall regression significance

ANALYSIS OF VARIANCE (ANOVA)					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	0,0002	0,0001	16,2004	0,00003%
Residual	44	0,0001	0,0000		
Total	47	0,0003			

3.3.3. Analysis of results: reliability of the Y-intercept and Coefficients of the regression

The predicted value of ODA provided by the re-estimated model would be:

$$\hat{y}_t = 0{,}0050 - 0{,}0780 g_t + 0{,}0071 nx_t + 0{,}0281 f_t$$

Table 13 OLS estimates and its reliability

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	0,0050	0,0004	12,3641	0,00%	0,0042	0,0058
Real GDP growth (%)	-0,0780	0,0211	-3,7011	0,06%	-0,1204	-0,0355
CA Balance (% GDP)	0,0071	0,0063	1,1304	26,44%	-0,0056	0,0198
Cash surplus/deficit (% GDP)	0,0281	0,0077	3,6711	0,07%	0,0127	0,0436

The new model OLS estimates interpretation is exactly the same than for the previous trial. Now that I have a highly reliable model and coefficients, I will analyze the residuals for each observation.

3.3.4. Analysis of results: interpretation of residuals (political will)

As can be seen in table 15 (annexed), the level of ODA provided as percentage of GNI that the estimated model forecasted for Australia for the period 2009-2012 was the lowest one (0.18%). However, in that period Australia provided 0.17% additionally as a consequence of political will, providing in average 0.35% of GNI as ODA during those years. On the contrary, the level of ODA provided as percentage of GNI that the estimated model forecasted for

Norway for the period 2005-2008 was the highest one (1.07%). Nevertheless, in that period Norway provided in average 0.90% of GNI as ODA (shown in table 8 annexed), showing a negative political will this time (-0.17%).

On the one hand, the biggest lack of political will to collaborate with developing countries between the selected countries and periods is registered in Italy during the periods 2001-2004 and 2009-2012. According to the macroeconomic data of the country in that period the model estimates that 0.41% of GNI should have been provided as ODA but only 0.15% was provided, implying a political dislike of -0.25%. On the other hand, the higher level of political will in the ODA contributions of the selected countries during the selected years took place in Sweden during the period 2009-2012. According to the registered levels for the four macroeconomic independent variables Sweden should have provided 0.51% of GNI as ODA but this country provided 0.96% of GNI as ODA in that period, providing 0.45% of GNI as ODA because of political good will.

Figure 10 illustrates the residuals for each observation, or what is the same the level of ODA as percentage of GNI that each country has provided above or below the one predicted by the estimated model. These values represent the positive or negative attitude each government has taken towards ODA contribution, constituting a measure of political will.

Let's start with a micro-level analysis (country by country).

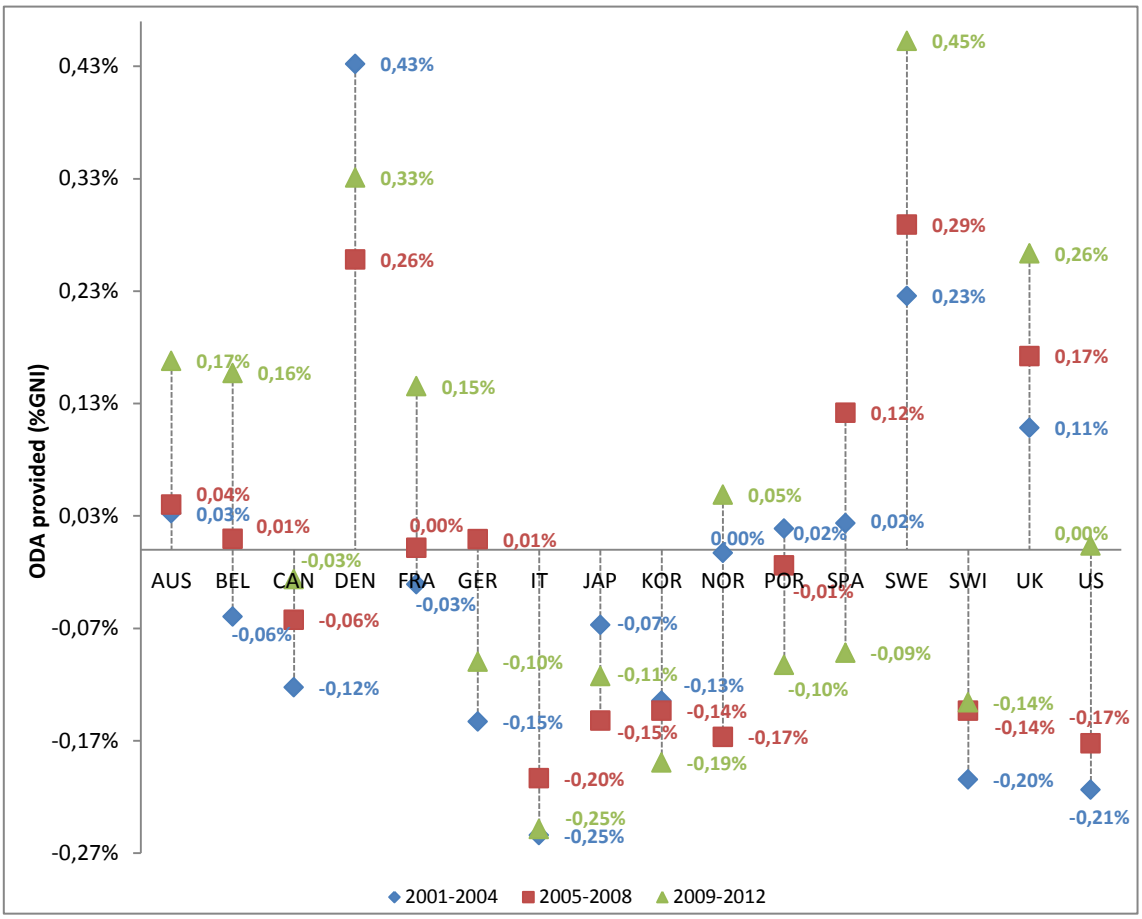
The Australian government has traditionally demonstrated a good will towards ODA contribution. However, there is a considerable difference between the three periods considered. From 1996 till the end of 2007 the Liberal Party was in power and the level of political good will is quite lower during the two first periods (0.03% and 0.04% respectively) than during the third one (0.17%), when the Labour Party governed.

Something similar happens in the case of Belgium, the level of political will is very low or even negative during the liberal-socialist period (1999-2007) and considerably higher during the conservative period (2008-2011).

As opposed to the Australian government, the Canadian government has traditionally shown political dislike towards ODA contribution (-0.12%, -0.06% and -0.03% respectively). Once

again, the liberal government (1994-2006) seems to be more unwilling to providing ODA to developing countries whereas the conservative government (2006-act) seems to be less reluctant.

Figure 10 ODA provided as political will by countries and periods



Denmark represents the exception of what empirical data shows up to now. The Dane government has traditionally demonstrated the highest or one of the highest levels of good will towards ODA contribution being liberal during the three periods (2001-2011). The only country that has exceeded the Danish level of political good will in terms of ODA contributions is Sweden during the periods 2005-2008 and 2009-2012.

The French government has been managed by a conservative party during the whole period and the levels of ODA they have provided as political will have been quite close to zero until 2008. In the last period this level has increased considerably up to 0.15%.

In Germany, the centre-left was in power until 2005 and the centre-right from then on. The political change (2005-2008) meant a neutral political will towards ODA contribution. However, during the previous period the centre-left party seemed to be reluctant to provide high ODA levels since its political ill-will was quite high (-0.15%) and during the next period centre-right party started to apply its characteristic austerity policy that signified returning to political ill-will towards ODA contribution (-0.10%).

Italy is just the opposite case than Denmark and Sweden. Not only has its government (independent of which party was in power) traditionally shown political reluctance but also has it been the most resistant government to ODA contribution during the three periods (-0.25%, -0.20% and -0.25% respectively).

The Japanese government has traditionally shown political dislike towards ODA contribution as well (-0.07%, -0.15% and -0.11% respectively). There is no logical reasoning to difference between ideologies this time.

The same happens in Korea, it is one of the most reluctant governments towards ODA contribution independently of the period (-0.13%, -0.14% and -0.19% respectively). Once again there is no logical reasoning to conclude about ideological relationships with political will about ODA.

Despite the fact that Norway is the country that has contributed in the highest scale during the three periods to ODA, the average Norwegian political will results negative for the whole period (0.00%, -0.17% and 0.05% respectively). This implies that Norway is a great donor because its economy is powerful enough to be so, not because of its political good will. It is a matter of the country not of the political party in power since it doesn't exist any logical relationship between the volume of ODA provided as political will and the political force governing the country. During 2001-2004 a centre-right party was in power and its political will was non-existent. From 2005 on the centre-left has been in power and the country's political will has dramatically changed.

Up to 2008 the political will of Portugal was approximately neutral (0.02% and -0.01% respectively) but from 2008 on it turned into political reluctance (-0.10%). Once again there is

no relationship between political will and ideology in power. The first period coincides with a centre-right party in power, the second one with a centre-left party in power and the third one with both political sides. There is no reason to blame ideology of the differences in political will towards ODA contribution in this case.

The case of Spain is quite unusual since radical changes in the estimated political will are observed. From 2001 to 2004, with the centre-right party in power political will was non-existent (0.02%). From 2005 to 2008 the estimated ODA contribution as percentage of GNI provided as political good will increased considerably (0.12%). From 2008 to 2012 both parties alternated in power and the political will towards ODA contribution decreased sharply (-0.09%). My guess is that this radical change took place because of the state cutbacks typical of the austerity program following the 2008-2009 recession in Europe. It also may be influenced by the huge increase in the unemployment rate, which may have overvalued the forecasted ODA contribution for this period.

The Swedish government has traditionally demonstrated the highest or the second highest level of good will towards ODA contribution being leftist until 2006 and conservative from 2006 on. This makes evident the fact that its high political will towards ODA contribution is a matter of national awareness rather than political tendency. The only country that has exceeded the Swedish level of political good will in terms of ODA contributions is Denmark during the period 2001-2004.

The Swiss government has traditionally been considerably reluctant towards ODA contribution according to estimations (-0.20%, -0.14% and -0.14% respectively). It seems to be a matter of national lack of awareness rather than ideological trends.

The British government has also demonstrated during the whole period its political good will towards ODA contributions. This awareness with aiding developing countries has growth exponentially in United Kingdom (0.11%, 0.17% and 0.26% respectively). Once more my guess is that it is not a matter of ideology (leftist in power from 1997 until 2010; conservative in power from 2010 on) but a matter of awareness. More concretely, in UK there is a membership body for organizations working in international development (Bond) whose key priority is to ensure that the UK government fulfils its promises on the quantity and quality of

aid, and achieves the UN aid target of 0.7% of gross national income. Actually, Bond and the member organisations have been campaigning to reach this target.

The American government has usually shown reluctant to provide ODA during the right-winger periods (2001-2004: -0.21%; 2005-2008: -0.17%) whereas the average political reluctance during Obama's period has disappeared (2008-2012: 0.00%).

With regard to the macro-level analysis, the average residual for each period has progressively followed an upward trend. From 2001 to 2004, in average, the governments of the sample countries have been slightly reluctant to ODA contribution (-0.03% of GNI). During the period 2005-2008 aversion to ODA contribution almost disappeared in general terms (-0.01% of GNI). In the most recent period the trend has been political good will towards ODA contributions (0.04% of GNI).

It would be of common sense that the European Union member states contained in the sample were the ones that had followed this upward trend in terms of political will in order to keep the 0.7% promise by 2015. Unfortunately, due to the economic recession and the consequent economic policy of cutbacks imposed in some EU countries, this did not happen.

The knowledge acquired in Macroeconomics, Applied Economics and Econometrics has been crucial to carry out this study.

3.4. Aid involvement ranking

By averaging the data of each country for the three periods I get a ranking that classifies the studied countries according to their ODA contributions during the last twelve years.

3.4.1. Ranking in terms of effective economically-consistent ODA

This ranking is shown in table 16 (annexed). In average, only three of the sample countries have overcome the 0.7% target of ODA provided as a percentage of GNI. They are Norway, Sweden and Denmark. Four out of the five "top-five ODA donors" are also in the "top-five" of countries involved politically: Denmark, Sweden, UK and Belgium. The controversial issue

is the fact that Norway is the average top aid donor but presents a negative political will in average, staying in the ninth position in terms of ODA provided as political will.

3.4.2. Ranking in terms of effective politically-committed ODA

In the ranking shown in table 17 (annexed), can be seen that the UK joins to the top-three of ODA donnors as a consequence of political will together with Denmark and Sweden. Norway is a great donor only because its economic conditions are favourable to be so, since its average amount of ODA provided as political will is negative (-0.04%).

The four countries that provide the lowest volumes of ODA as percentage of GNI are Japan, the US, Italy and Korea, resulting with significant difference the Korean one the lowest contribution. These four countries belong to the bottom-five ODA donnors as a consequence of political will. Another remarkable case is the one of Switzerland, that provides the second lowest political will level together with Korea. If Switzerland provided 0.16% of ODA as a percentage of GNI as a consequence of political good will instead of providing 0.16% of GNI less than what this country can afford, it would reach the 0.7% target.

3.5 Predictions based on the estimated model

The estimated model together with the forecasted values for its independent variables (available in OECD database) can be useful to estimate economically-consistent ODA provided as percentage of GNI during 2016 by the sixteen DAC countries.

The forecasted ODA contributions for 2016 are shown in table 18 (annexed).

According to this estimation, none of the nine EU15 countries included in the DAC sample would make the 0.7% promise considering its economically consistent ODA contributions. And only Norway from the whole sample would meet the target thanks to its economic conditions.

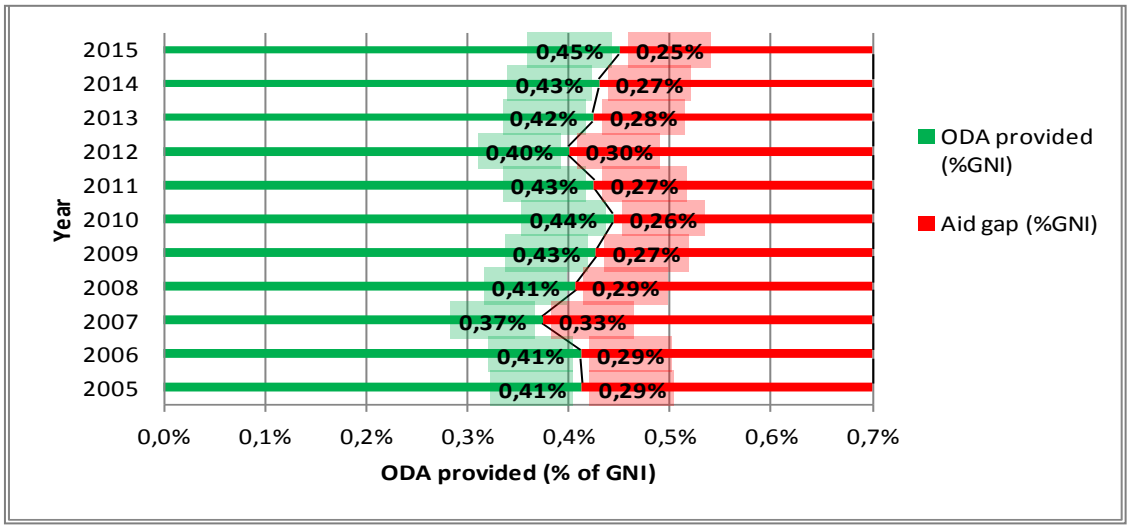
Therefore, the pledge fulfillment depends on the political will of each country towards aid contribution.

4. PLEDGE FULFILLMENT AND AID GAP

4.1 Current scenario

EU15's aid commitment has been under threat since 2010 due to the lack of progress in aid levels. As can be seen in Figure 11, the ratio of ODA as a percentage of GNI provided by EU15 countries in 2012 (0.40%) was lower level than in 2005 (0.41%), the moment in which countries committed to spend 0.7% of their GNI on aid by 2015. From 2012 onwards, it seems that ODA contributions have increased towards the objective but still there has been a considerable aid gap during the whole decade. Finally, as expected, the promise has not been met by 2015, in general terms there is an ODA gap of 0.25% of GNI to meet the promise.

Figure 11 Aid gap as % of GNI for a representaive cluster of EU member states from 2005 to 2015

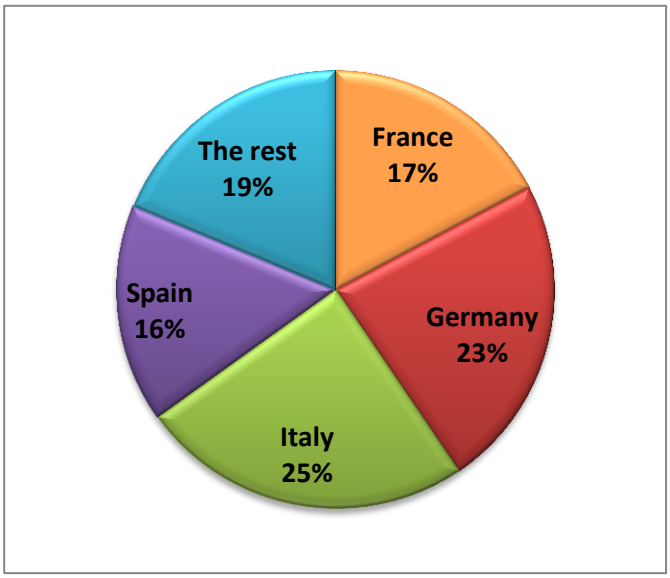


As aid commitments are expressed as a percentage of GNI, the volume of ODA required by each EU member state in order to reach the target is closely linked to the size of its economy. A great example is the one of Germany and France, the two largest EU economies, which account for a significant proportion of the overall aid flows. They are, respectively, the second and third biggest aid donors in absolute terms, right after the UK. However, although they are not the worst performers in relative terms, they are in the top four of EU members generating the aid gap.

As figure 12 shows, only four EU15 member states are responsible for approximately 80% of the total aid gap in 2015; while the remaining eleven EU15 member states are responsible for the other 20% of aid gap in the deadline year. The four countries that mainly contribute to

generate the aid funding gap are Italy (25% of the total gap), Germany (23%), France (17%) and Spain (16%).

Figure 12 Distribution of the aid gap as percentage of GNI in 2015



As evidence shows, Germany and France do not contribute to development aid in correlation with the size of their economies and therefore, they are still far from fulfilling the 0.7% of GNI target. Once again, this is due to the scarce political good will in the case of France and the reluctance of the German government towards ODA contribution (see residuals in 2015 in annexed table 15).

Italy and Spain are also sizable economies that have cut their aid levels sharply and provide now the lowest levels of ODA as a percentage of GNI of the EU15 (Italy assigns 0.16% of its GNI for aid, while Spain assigns 0.17% of its GNI). Once again this is not an issue of financial crisis; it is an issue of lack of political will (shown in Table 15) since both economies have provided less percentage of their GNI as ODA in 2015 than what their economic circunstances estimated they should have provided (negative residuals, political reluctance).

Despite the fact that the EU institutions and its member states provide more than half of global Official Development Assistance to help achieve the MDGs, this is not enough. The 0, 7% program is a very ambitious target compared to what has been provided in the past, but it is a ridiculous goal if you compare it to the total level of public expenditure of many national governments or with the money that governments have invested in bailing out the European banks. In fact, people in Europe spend more on lottery than what they spend on global aid, which is approximately 30€ per person per year.

In addition, the promise has definitely not been kept and EU's credibility has been damaged. Aid is not regarded as charity in the EU. It is more about an obligation and justice. EU

countries were the ones that set the target and therefore they are morally bound since developing countries are still counting on such commitment.

4.2 Potential solutions (post-2015)

Actually, the EU could have met the target and overcome the existing aid gap in the year 2015 with the coordinated effort of member states. The EU can find sufficient resources as long as there is enough political will. In fact, European budgets offer some flexibility from a financial perspective. The EU spends billions of Euros every year on subsidies that are hardly compatible with long term sustainable economic growth (the total aid gap is significantly smaller). The EU also devotes a significant amount of money to national defense budget, most of which is spent on weapons. But these quantities are insignificant when compared to the €700 billion assigned to EU's financial stability mechanisms created during the banking crisis destined mainly to bail out banks in trouble. Only 5.51% of that money would have been enough to fill the collective ODA of EU institutions and 28 member states, which amounts for €38.582 billion.

I find two post-2015 potential solutions once last years mistakes have been identified.

On the one hand, the EU could plan some budget adjustments for the following five years, which could be enough time to reallocate the existing burget. In this way, aid could be linearly increased in order to meet the 0.7% target by 2020.

On the other hand, the EU could increase aid by adding the €38.582 billion in 2016 to the projected aid level in a one-year step and postpone the target compliance one year. However, it is very difficult to ensure that such a large and sudden increase in aid flows in a single year is adequately managed.

At the political level, the EU and its member states would have to design a strategy for increasing aid levels accordingly, and coordinate its implementation, as the Lisbon Treaty states. The EU should also ensure that the distribution of new aid flows is equitable and has maximum impact on development, fostering human rights and fighting inequality. To do this, the EU should start by selecting recipient countries on the basis of their development needs rather than on its political and economic interests. One more step forward to achieve equality

is to implement the aid and development effectiveness by improving in terms of coordination, harmonization and transparency, which are key principles in this field.

Moreover, the ODA contribution target should be fixed according to the economic power of each country. It is not reasonable that a powerful economy such as the French one has the same proportional target (0.7% of GNI) than a poorer country like Greece. In fact, the most economically powerful committed countries have already increased their ODA contribution targets to 1% of GNI (e.g. Denmark, Luxemburg, Sweden, Norway) whereas the economically powerless countries have fixed a lower but attainable target: 0.33% of GNI (e.g. Hungary, Poland, Croatia). Then, it doesn't make sense to establish a global and unique goal since economic conditions differ from country to country. For powerful countries it won't imply a big effort to attain the 0.7% target whereas for powerless countries it will be completely unattainable. In this way, it is useless to fix a common goal since it can be known from the beginning which countries will reach it and which ones won't.

Additionally to these potential solutions, other measures should be implemented after 2015 in order to define ODA porperly and increase the development awareness of the European population.

EU member states must redefine ODA and play by the rules of the game. Given the pressure to deliver on its commitments, the EU might be tempted to report an inflated amount of aid as part of its official ODA figures or to request a revision of the existing definition of ODA so that emerging types of flows (such as climate finance or support for private sector development) can be reported as aid. However, only real aid will maximize the long-term impact on developing countries, those living in poverty, and ultimately the European citizens. Trying to meet the target by cheating would be self-defeating in the long term and the need for aid would continue.

In order to avoid these aid inflations the ODA definition should be reviewed, since it includes some expenditures that do not involve a real transfer of resources to developing countries, such as student and refugee costs in developed countries, debt relief, tied aid and interest on loans.

First, funds provided as climate finance, shouldn't be counted as ODA for a more precise and real aid measurement. On the contrary, the EU should agree on a joint definition of climate finance that classifies it as additional to the 0.7% pledge.

Second, ODA funds shouldn't be used to support the private sector through blending mechanisms, public-private partnerships (PPPs) or catalytic finance such as guarantees, equity investments, and loans. There is no clear evidence of the contribution these types of flows make to development or poverty eradication. Actually, they seem to be better at supporting companies from developed and emerging economies than low-income countries and poor communities.

Third, a very limited amount of expenditure on peace and military operations is reportable as ODA. The most common situation in which these expenses could be reported as ODA is when using the military to deliver humanitarian assistance in the event of a natural disaster. Including military costs would simply inflate aid figures disproportionately in a number of countries, while wars worsen poverty and development. Therefore, the ODA definition should not be broadened in this direction.

Another relevant issue is the population awareness of the political commitments made by the public sector and how these are allocated in the budget. In order to have a general idea of what do Europeans think about helping developing countries and whether they have ever heard about MDGs I have checked a survey that has been requested by the European Commission: "Special Eurobarometer".

Regarding the feedback provided by "Special Eurobarometer" some measures should be introduced in this field as well.

First, more information about MDGs and aid promises should be distributed since only 12% of the Europeans correctly estimate the amount of global population that live in extreme poverty and only 6% of Europeans have heard of or read about the Millennium Development Goals and know what they are. A wider advertising campaign about MDGs and collaboration with developing countries should be distributed and the government should inform about its aid commitments with a certain frequency on the media.

Second, people should be aware of the fact that the aid gap represents only a small proportion of other huge public expenditures that don't generate any future value. The mainstream view in Europe is that we should keep our promise to increase aid to developing countries despite the current difficult economic situation. But still, 16% of respondents think that aid should not be increased even though it has been promised and 18% of respondents think that it should be reduced because we can no longer afford it. European population should know that tackling poverty in developing countries has a positive influence on EU citizens as well.

Third, a different way of providing aid could be paying more for products from developing countries to support people living there. A third of respondents say they would be ready to pay up to 5% more, while a tenth of respondents would be ready to pay between 6% and 10% more. Just 4% would be ready to pay over 10% more. In general, people who are prepared to pay more for products from developing countries think that tackling poverty in developing countries has a positive influence on EU citizens as well.

CONCLUSION

Developed world often sets too ambitious goals with the aim of helping the developing world. There is a trend consistent on making well-sounded promises with a pre-established deadline that are frequently not kept on time (e.g. 62.43% of the MDG commitment had been accomplished by 2012).

In general, the main donors are highly politically involved (Denmark, Sweden, UK and Belgium from my sample countries) and countries that provide the lowest volumes of ODA are the ones less politically involved (Japan, US, Italy and Korea from my sample countries). The great exceptions are Norway and Switzerland, that being powerful economies are in average politically reluctant towards aid (especially Switzerland).

There are three main reasons for such commitment breach. First, governments of rich countries are reluctant to raise the level of aid they provide. On the contrary, they prefer rescuing banks for a much higher value before keeping their word with the developing world. Second, there is a lack of political and social awareness about how much we can help them and how important can be their growth for us. Last but not least, objectives are fixed in the very long term.

From my point of view, governments should stop from excusing themselves with the economic crisis and fill their promises since aid levels don't make the difference in their budgets. In order to achieve the established objectives on time they should previously fix intermediate milestones because it is easier to meet smaller objectives in a shorter time and progressively rather than meet a very ambitious target in the last years as they often pretend to do.

Political good will, the establishment of more realistic goals and truth commitment are crucial elements for a successful assistance program on developing countries.

BIBLIOGRAPHY

- "Cash surplus/deficit (% of GDP)" data: International Monetary Fund, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates.
- "Concord: The European NGO confederation for relief and development". Available in http://www.concordeurope.org/
- "Current account balance (% of GDP)" data: OECD (2015), Current account balance (indicator). doi: 10.1787/b2f74f3a-en (Accessed on 23 May 2015)
- European Commission Report: "EU development aid and the Millenium Development Goals" (Special Eurobarometer). Available in http://ec.europa.eu/public_opinion/archives/ebs/ebs_405_en.pdf
- Forecasted data OECD: https://data.oecd.org/trade/current-account-balance.htm#indicator-chart
- MDG brochure 2013 by the European Commission: "European Commission EU Contribution to the Millennium Development Goals: Key results from European Commission programmes. Luxembourg: Publications Office of the European Union, 2013". Available in http://ec.europa.eu/europeaid/documents/mdg-brochure-2013_en.pdf
- OECD (2015), "Main Economic Indicators - complete database", *Main Economic Indicators* (database). DOI: http://dx.doi.org/10.1787/data-00052-en (Accessed on 15 May 2015)
- OECD.StatExtracts. "Development Assistance Committee of the Organization for Economic Co-operation and Development, Geographical Distribution of Financial Flows to Developing Countries, Development Co-operation Report, and International Development Statistics database". Data are available online at: http://stats.oecd.org/
- The EU & the Millennium Development Goals: A Web Documentary. Available in http://www.eumdg.com/#HOME
- "Unemployment, total (% of total labor force) (modeled ILO estimate)": International Labour Organization, Key Indicators of the Labour Market database.

- United Nations: "Millennium Development Goals and beyond 2015". Available in http://www.un.org/millenniumgoals/poverty.shtml
- World DataBank (2015), "Millennium Development Goals". http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=millennium-development-goals

ANEXES

Figure 13 Total ODA provided per capita by EU member states (<100$ in 2012) during the last two decades expressed in current US$

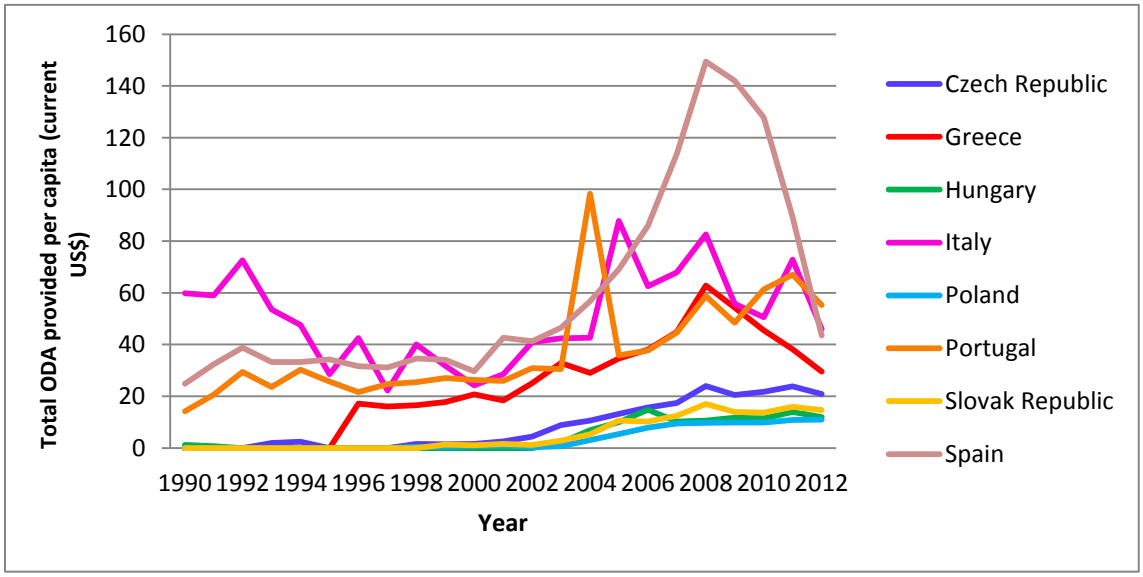


Figure 14 Total ODA provided per capita by EU member states (<300$ in 2012) during the last two decades expressed in current US$

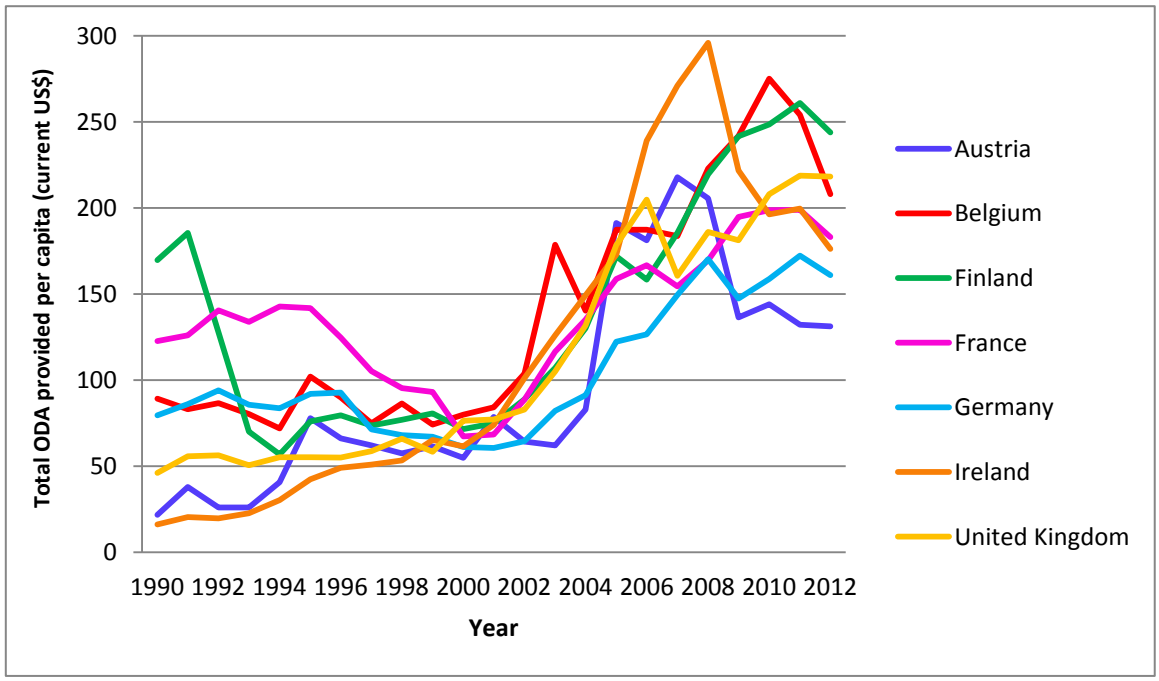


Table 14 Observations used to estimate the regression

TOTAL: 48 observations (average for the period)		Dependent variable	Independent variables			
		ODA provided (% GNI)	Real GDP growth (%)	CA Balance (% GDP)	Unemployment, total (% of total labor	Cash surplus/deficit (% GDP)
1 Australia	2001-2004	0,25%	3,39%	-4,34%	6,13%	0,52%
	2005-2008	0,29%	3,24%	-5,83%	4,60%	1,63%
	2009-2012	0,35%	2,56%	-3,76%	5,27%	-3,30%
2 Belgium	2001-2004	0,43%	0,41%	3,54%	7,57%	-0,08%
	2005-2008	0,46%	0,36%	1,16%	7,77%	-1,08%
	2009-2012	0,53%	0,22%	-0,54%	7,70%	-3,71%
3 Canada	2001-2004	0,25%	2,39%	1,81%	7,42%	1,47%
	2005-2008	0,30%	2,24%	1,02%	6,27%	1,18%
	2009-2012	0,31%	1,39%	-3,15%	7,73%	-1,06%
4 Denmark	2001-2004	0,89%	1,08%	2,67%	4,92%	0,72%
	2005-2008	0,79%	1,59%	2,73%	3,98%	4,78%
	2009-2012	0,85%	-0,74%	5,05%	7,15%	-2,58%
5 France	2001-2004	0,36%	0,39%	1,04%	8,78%	-3,08%
	2005-2008	0,41%	0,26%	-0,92%	8,27%	-2,47%
	2009-2012	0,46%	0,18%	-1,61%	9,38%	-5,87%
6 Germany	2001-2004	0,26%	0,54%	2,05%	9,00%	-1,98%
	2005-2008	0,35%	2,18%	6,00%	9,38%	-1,05%
	2009-2012	0,36%	0,61%	6,42%	6,52%	-1,38%
7 Italy	2001-2004	0,15%	0,15%	-0,74%	8,90%	-2,68%
	2005-2008	0,21%	0,04%	-2,30%	6,82%	-2,36%
	2009-2012	0,15%	-0,27%	-2,06%	8,82%	-3,73%
8 Japan	2001-2004	0,21%	1,17%	2,94%	5,07%	-5,31%
	2005-2008	0,22%	1,04%	3,94%	4,10%	-2,58%
	2009-2012	0,18%	0,11%	2,42%	4,70%	-7,63%
9 Korea	2001-2004	0,05%	4,95%	2,36%	3,65%	1,93%
	2005-2008	0,07%	4,35%	1,48%	3,38%	1,41%
	2009-2012	0,11%	3,29%	3,00%	3,48%	1,20%
10 Norway	2001-2004	0,85%	0,53%	13,12%	4,03%	10,81%
	2005-2008	0,90%	0,51%	15,05%	3,27%	17,84%
	2009-2012	1,00%	0,17%	12,71%	3,32%	13,15%
11 Portugal	2001-2004	0,30%	0,90%	-8,20%	5,50%	-3,05%
	2005-2008	0,21%	1,25%	-10,57%	7,72%	-3,68%
	2009-2012	0,27%	-1,56%	-7,35%	12,15%	-7,08%
12 Spain	2001-2004	0,24%	3,31%	-3,90%	11,25%	0,19%
	2005-2008	0,34%	3,20%	-8,76%	9,45%	1,04%
	2009-2012	0,33%	-1,57%	-3,46%	21,30%	-6,40%
13 Sweden	2001-2004	0,72%	0,63%	5,52%	5,73%	0,10%
	2005-2008	0,88%	0,38%	8,03%	6,85%	2,21%
	2009-2012	0,96%	0,38%	5,88%	8,25%	-0,21%
14 Switzerland	2001-2004	0,33%	0,22%	10,10%	3,45%	-0,64%
	2005-2008	0,38%	0,73%	9,17%	3,85%	0,36%
	2009-2012	0,42%	0,35%	10,35%	4,20%	0,27%
15 UK	2001-2004	0,31%	2,97%	-1,94%	4,90%	-1,89%
	2005-2008	0,41%	2,02%	-1,88%	5,28%	-3,13%
	2009-2012	0,52%	-0,02%	-2,23%	7,88%	-8,13%
16 US	2001-2004	0,13%	0,60%	-4,38%	5,60%	-2,73%
	2005-2008	0,18%	0,28%	-5,24%	5,12%	-3,27%
	2009-2012	0,20%	0,36%	-2,83%	9,07%	-9,26%

Table 15 Forecasts and residuals for each observation

Country	Observation	Forecast ODA provided (% GNI)	Residual = Political will
1 Australia	2001-2004	0,22%	0,03%
	2005-2008	0,25%	0,04%
	2009-2012	0,18%	0,17%
2 Belgium	2001-2004	0,49%	-0,06%
	2005-2008	0,45%	0,01%
	2009-2012	0,38%	0,16%
3 Canada	2001-2004	0,37%	-0,12%
	2005-2008	0,37%	-0,06%
	2009-2012	0,34%	-0,03%
4 Denmark	2001-2004	0,46%	0,43%
	2005-2008	0,53%	0,26%
	2009-2012	0,52%	0,33%
5 France	2001-2004	0,39%	-0,03%
	2005-2008	0,40%	0,00%
	2009-2012	0,31%	0,15%
6 Germany	2001-2004	0,42%	-0,15%
	2005-2008	0,34%	0,01%
	2009-2012	0,46%	-0,10%
7 Italy	2001-2004	0,41%	-0,25%
	2005-2008	0,41%	-0,20%
	2009-2012	0,40%	-0,25%
8 Japan	2001-2004	0,28%	-0,07%
	2005-2008	0,38%	-0,15%
	2009-2012	0,29%	-0,11%
9 Korea	2001-2004	0,19%	-0,13%
	2005-2008	0,21%	-0,14%
	2009-2012	0,30%	-0,19%
10 Norway	2001-2004	0,86%	0,00%
	2005-2008	1,07%	-0,17%
	2009-2012	0,95%	0,05%
11 Portugal	2001-2004	0,29%	0,02%
	2005-2008	0,22%	-0,01%
	2009-2012	0,37%	-0,10%
12 Spain	2001-2004	0,22%	0,02%
	2005-2008	0,22%	0,12%
	2009-2012	0,42%	-0,09%
13 Sweden	2001-2004	0,49%	0,23%
	2005-2008	0,59%	0,29%
	2009-2012	0,51%	0,45%
14 Switzerland	2001-2004	0,54%	-0,20%
	2005-2008	0,52%	-0,14%
	2009-2012	0,55%	-0,14%
15 UK	2001-2004	0,20%	0,11%
	2005-2008	0,24%	0,17%
	2009-2012	0,26%	0,26%
16 US	2001-2004	0,35%	-0,21%
	2005-2008	0,35%	-0,17%
	2009-2012	0,19%	0,00%

Table 16 Ranking of countries according to the average ODA provided as a percentage of GNI from 2001 to 2012

Position	Country	Average ODA provided (% GNI) ranked from highest to lowest
1	Norway	0,92%
2	Sweden	0,85%
3	Denmark	0,84%
4	Belgium	0,47%
5	UK	0,41%
6	France	0,41%
7	Switzerland	0,38%
8	Germany	0,33%
9	Australia	0,30%
10	Spain	0,30%
11	Canada	0,29%
12	Portugal	0,26%
13	Japan	0,21%
14	US	0,17%
15	Italy	0,17%
16	Korea	0,08%

Table 17 Ranking of countries according to the average ODA provided as political will as a percentage of GNI from 2001 to 2012

Position	Country	Average ODA provided as political will (% GNI) ranked from highest to lowest
1	Denmark	0,34%
2	Sweden	0,32%
3	UK	0,18%
4	Australia	0,08%
5	Belgium	0,04%
6	France	0,04%
7	Spain	0,02%
8	Portugal	-0,03%
9	Norway	-0,04%
10	Canada	-0,07%
11	Germany	-0,08%
12	Japan	-0,11%
13	US	-0,13%
14	Switzerland	-0,16%
15	Korea	-0,16%
16	Italy	-0,24%

Table 18 Estimated ODA contributions for 2016

Country	Dependent variable	Independent variables (2016 forecast)		
	Estimated ODA provided for 2016 (% GNI)	Real GDP growth (%)	CA Balance (% GDP)	Cash surplus/ deficit (% GDP)
1 Australia	0,22%	2,88%	-2,52%	-1,40%
2 Belgium	0,35%	1,81%	2,73%	-1,20%
3 Canada	0,27%	2,26%	-3,15%	-1,20%
4 Denmark	0,29%	2,30%	7,21%	-3,00%
5 France	0,28%	1,65%	-0,27%	-3,10%
6 Germany	0,38%	2,32%	8,29%	0,20%
7 Italy	0,35%	1,51%	3,43%	-2,10%
8 Japan	0,22%	1,40%	3,03%	-6,70%
9 Korea	0,28%	3,64%	6,64%	0,50%
10 Norway	0,72%	1,50%	6,93%	10,20%
11 Portugal	0,30%	1,79%	0,57%	-2,40%
12 Spain	0,16%	2,84%	1,30%	-4,50%
13 Sweden	0,29%	3,03%	6,35%	-0,80%
14 Switzerland	0,45%	1,68%	10,49%	0,30%
15 UK	0,17%	2,34%	-4,45%	-4,10%
16 US	0,13%	2,76%	-2,96%	-4,60%